



**Director of
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PERSIAN GULF:**Tankers En Route**

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Three reflagged Kuwaiti tankers left Khawr Fakkan last night bound for the Gulf. Four US warships are escorting the convoy. US naval aircraft performing combat air patrol today over the Strait of Hormuz—after multiple warnings—fired two Sparrow missiles at but missed an Iranian F-4 that had closed to 8 nautical miles.

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Possible Firing of Iranian Missile

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Iran claims it fired a "land to sea" missile ^{on 6 August} Thursday afternoon during an inspection visit by President Khamenei to Revolutionary Guard missile sites near the southern Persian Gulf.

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Comment: A possible demonstration or practice Silkworm missile launch is unconfirmed, but it cannot be ruled out. Iran could have easily loaded and fueled missiles on the launchers at Kuhestak on ^{6 August} Thursday Tehran, however, may have been referring to another system—for example, its short-range Eagle missile—or simply spreading disinformation to increase tensions in the region.

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Iranian Political Actions

Iranian ^{6 August} leaders continue to threaten retaliation against the US. In a speech on Thursday, Khamenei said US involvement in the Mecca "massacre" was "crystal clear" and that there should be no doubt that Iran will punish the US and Saudi Arabia. At a funeral ceremony for some of those killed at Mecca, Iran's Minister of Interior said Iran would take revenge against the US directly.

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Offshore Oil Targets for Iran

Iran has warned it will punish Saudi Arabia and Kuwait if they continue support for Iraq in the war by attacking offshore oil facilities. Numerous such facilities are located close to Iranian staging areas and offer tempting targets for low-risk, high-visibility attacks. [REDACTED]

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Tehran uses Farsi Island and oil platforms at Nowruz, Ardeshir, Cyrus, and Fereidoon as military observation posts; it also stages tanker attacks from Farsi Island. Most Saudi and Kuwaiti offshore oil facilities are well within range of Iranian speedboats staged from Farsi Island or from offshore Iranian oil platforms. Saudi oil-processing platforms at Marjan and Zuluf oilfields are within 50 nautical miles of Farsi Island, and export facilities at Ju'aymah and Ras al Khafji could be reached in two hours by Iranian speedboats—which have a speed of 35 to 50 knots and a range of 500 nautical miles. [REDACTED]

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Top Secret**CENTRAL
AMERICA:****Presidents Sign Peace Accord*****The peace agreement, based largely on the proposal of Costa Rican President Arias, places priority on ending insurgencies.***

on 7 August
 The Central American Presidents ~~yesterday~~ announced that the provisions of the agreement—a cease-fire, end of aid to insurgent forces, amnesty, democratic reforms, and national dialogue—will go into effect in 90 days. The Central Americans, with the assistance of the Contadora mediators, are to negotiate agreements on arms levels and measures to disarm insurgent groups.

The Presidents appealed to countries outside the region to end aid to insurgents and said all unarmed opposition groups and rebels who have sought amnesty will be included in the dialogue. National reconciliation commissions, which are to oversee compliance with political commitments, will include one member from the government, each opposition party, and the Catholic Church hierarchy, as well as two “leading citizens.”

While affirming that each country has the right to choose its political and economic system without foreign interference, the document contains strong commitments to democracy. These include complete press freedom, full access to the media, unabridged rights to political organization, and an end to states of emergency. Simultaneous elections for representatives to a regional parliament are to be held by next June, but no country is compelled to accelerate national election schedules.

Anti-Sandinista leaders said they would put the accord “to the test” but insisted on participating in cease-fire talks. They vowed to continue fighting until Managua releases all political prisoners and complies with other conditions of the agreement, according to press.

Comment: The accord is heavily weighted toward ending the fighting as soon as possible and forcing guerrillas to enter the political process. By rapidly dismantling the insurgencies and giving little recognition to the guerrillas as a political force, the agreement heavily favors the interests of the Nicaraguan, Salvadoran, and Guatemalan Governments. San Salvador and Guatemala City clearly are more intent on neutralizing their own insurgents than on giving the anti-Sandinista rebels leverage to force Sandinista compliance with the commitment to democratize.

The democracies probably believe that the strong provisions for democracy and their membership on the international verification commissions compensate for their willingness to end military pressure on Nicaragua. There are no provisions for sanctions, however, and little enticement for the guerrillas to subscribe to the accord.

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SOUTH AFRICA:**Labor Pressures**

on 9 August
South African mineworkers are set to strike tomorrow, barring a last-minute settlement.

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The National Union of Mineworkers, South Africa's largest labor union, with some 300,000 members, predicts that at least 200,000 workers will participate in the strike, which is over wage demands, and that production in 28 gold mines and 18 coalfields will be affected. Union leaders, who believe management may try to crush the strike, have advised workers not to remain on company property after the strike begins, according to press reports.

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The strike threat comes at a time of increased activism by black labor. In addition to numerous small-scale strikes, a 12-day-old nationwide strike by nearly 20,000 postalworkers has disrupted mail service, while approximately 7,000 metalworkers have been on strike for 19 days against the state-run steel corporation, according to press reports. South Africa's largest black trade union federation, at its annual meeting last month, focused on political—not economic—issues and adopted resolutions recommending disinvestment and more comprehensive sanctions.

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Comment: All signs point to a strike, but both management and the mineworkers probably are still eager to reach a compromise. Union leaders would at a minimum postpone the strike if the mining companies offered new wage concessions. A last-minute settlement would not prevent wildcat strikes or isolated incidents of violence at some mines. A strike would provide a good indicator of the union's ability to mobilize and control workers. Although the union appears confident it has the support of its members, some miners are likely to be deterred from striking by the threat of harsh action by mine security officials and police.

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Pretoria is concerned about labor militancy and is likely to intervene forcefully if a lengthy strike damages the production of gold, which accounts for nearly 45 percent of South Africa's export revenues. ~~Although the major companies have accumulated stockpiles that could last as long as six months,~~ a strike could cost South Africa's gold industry more than \$30 million a day. A government move against the strikers could prompt illegal strikes elsewhere in support of the mineworkers.

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FRANCE-IRAN: Efforts To Halt Oil Imports

France's demand Thursday that its oil companies stop buying Iranian crude marks a departure from recent French policy on economic sanctions. The government stopped short of a legal ban and, instead, issued an "official request" that French companies and the subsidiaries of foreign firms doing business in France cease purchases. French imports of Iranian oil have risen sharply in recent months—Tehran was France's largest single supplier in June, according to press reports—because of Iranian price discounts.

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Comment: The formal appeal to the oil companies is almost certainly intended to increase France's leverage in its diplomatic standoff with Iran. Most firms are likely to comply because of the implied threat that Paris could penalize violators. France traditionally has resisted calls from other countries to join economic embargoes and last year refused to do more than put quiet pressure on French firms to stop buying Libyan oil. Now, however, it appears certain that France will press even subsidiaries of Netherlands, British, and US firms to halt purchases and may even ask Allied governments to reduce purchases from Iran.

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IRAQ: Recent Missile Activity

Iraqi press reports claim that Baghdad successfully test-launched an indigenously produced surface-to-surface missile last week. The missile reportedly flew 385 miles (615 kilometers) and was developed to have a maximum range of 480 miles (650 km).

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Comment: ~~a missile launch may have occurred~~ Iraq is not known to have a ballistic missile with a range greater than that of its Soviet-supplied Scud-B, with a range of 188 miles (300 km); the possibility that a Scud-type missile was launched cannot be ruled out. Claims of a 480-mile (650-km) range may have been intended to raise domestic morale and to pose a threat to Tehran, but there are no indications Iraq has produced or deployed a missile with this capability. A missile with this range would be able to strike Tehran or Tel Aviv. Indigenous development and production would require substantial foreign assistance.

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ISRAEL-SYRIA: Response to MIG-29 Delivery

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Comment: The MIG-29s indeed seem unlikely to challenge significantly Israel's air superiority in the region. The relatively poor training and inferior capabilities of Syrian pilots will frustrate Damascus's efforts to take full advantage of the new aircraft. Syria has probably sent additional pilots to the USSR for training, however, in anticipation of future MIG-29 deliveries.

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USSR: Shevardnadze Reveals CW Destruction Site

6 August

Soviet Foreign Minister Shevardnadze announced in Geneva on ~~Thursday~~ that the USSR's special chemical weapons destruction plant is located at Chapayevsk and stated that participants in the chemical weapons negotiations would be invited to tour the facility later. He invited Conference on Disarmament participants to "the military facility at Shikhany" to see a mobile destruction unit and actual Soviet chemical weapons. In his speech in Prague in April, General Secretary Gorbachev announced that a chemical weapons destruction plant was under construction, ~~but this is the first disclosure of its location~~

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PERU: Antidrug Operation Stalling

Peru's antidrug sweep in the Upper Huallaga Valley—the largest coca-producing region in the world—is only harassing processors and traffickers but is unlikely to affect their economic and political dominance. ~~According to the US Embassy,~~ the 800-man National Police force is operating only in population centers, has met little resistance, and has seized only a small amount of drugs and precursor chemicals plus a few vehicles and handguns. ~~US officials in Lima report that the Army, angered by its lack of control over the operation, has withdrawn from the effort and that the Air Force is only reluctantly providing limited air support.~~

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Comment: Military rivalries and foot-dragging have given the processors and traffickers ample time to cache drugs and processing equipment. The destruction of only one of the valley's ~~estimated 50 clandestine~~ airstrips that traffickers continue to use to move their product underscores the lack of aggressiveness by government forces. The police are unlikely to interdict processing and trafficking until they move beyond the population centers and, over the longer term, establish a permanent presence in the area.

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ANGOLA: Considering IMF Membership

Angola has decided to seek IMF membership to improve its chances for renegotiating debt repayment schedules with Western countries, ~~_____~~ Last month, the Paris Club—the group of Western creditors responsible for rescheduling official debt—turned down Luanda's request to renegotiate repayment terms on about \$1 billion, noting that Angola must first implement economic recovery measures that normally would be included in an IMF standby agreement, according to the US Embassy in Paris. ~~_____~~

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Comment: The Paris Club's rejection and the slow progress of Luanda's effort to renegotiate repayments outside of the Paris Club—using an assortment of bonds and notes guaranteed in part by future Angolan oil deliveries—undoubtedly have persuaded some senior Angolan officials to advocate IMF membership. Other officials, however, are likely to resist going to the IMF, fearing the US would oppose Angola's application.

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In Brief*on 1 August***Middle East**

Former President Chamoun, **Lebanon's** Finance Minister, died of heart attack yesterday . . . vacancy in Cabinet may renew calls for formation of new, more anti-**Syrian** Government by Chamoun's Christian hardline allies. []

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Africa

Kenya will issue passport to RENAMO leader, become more involved in **Mozambican** peace efforts, [] . . . talks not imminent . . . neither side yet willing to make major concessions. []

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East Asia

China hesitant to support UN Security Council resolution enforcing ban on arms sales to **Iran, Iraq**, according to US Embassy . . . stipulating support by nine Council members first be attained . . . probably calculates such consensus unlikely. []

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Japanese Foreign Minister Kuranari to visit **India, Sri Lanka, Bangladesh** next week . . . will offer no major trade initiatives but will play up commitment to increase aid, including \$421 million to India. []

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Student unrest in several **Indonesian** provinces becoming violent . . . began in June over tuition increases, escalated to protests against parliamentary election, propriety of national sports lottery . . . government likely to close affected campuses. []

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Americas

Peru's First Vice President assassination target of Sendero Luminoso, [] . unidentified guerrillas recently attacked presidential palace, adviser . . . acts against government, ruling-party targets likely to continue. []

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Europe

Czechoslovak dissidents recently formed USA Friendship Society, ~~according to US Embassy~~ . . . probably testing regime's tolerance . . . members already being harassed, indicating regime will probably move to stop group's activities. []

CW

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Soviets seeking possible COCOM-restricted factory automation equipment for automobile, trucking industries . . . signed venture with **West German** firm . . . to produce flexible manufacturing systems integrating robots, sensors, lasers in Moscow. []

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UK space agency director resigned this week, protesting funding freeze . . . disrupts British space program, may impede European Space Agency participation in joint station . . . []

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25X1**Special Analysis****SYRIA-IRAN:****Leaning Toward Tehran**

Syria is backing away from commitments to moderate Arabs and the Soviets to reconsider support for Iran in the Iran-Iraq war. Although major strains remain in the relationship, Damascus is taking steps to improve its strategic alliance with Tehran. In Lebanon, Syria probably will try to keep tensions with Hizballah contained and will encourage the pro-Iranian Shias to work against common enemies.

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In the past two weeks, Syria has backed Iran's objections to the US reflagging of Kuwaiti ships and the UN Security Council resolution calling for an Iran-Iraq cease-fire. It publicly asserted its support for Iran in the war and echoed Tehran's denunciation of any Arab state that provides military facilities to the US.

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Syria also appears to back the Iranian position that a cease-fire in the Persian Gulf is unrelated to a cease-fire in the ground war. This marks a departure from Syria's previous support for the Arab League Foreign Ministers' resolutions on the war, ~~according to the US Embassy in Damascus.~~ Syria will probably soon reschedule the Iranian Prime Minister's visit, postponed in early June.

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Damascus has slowed its reconciliation efforts with Iraq because of the potential damage to its ties to Tehran and the failure of the moderate Arabs and the Soviets to deliver expected benefits. ~~Syria denies that contacts with Iraq have occurred, despite press reports to the contrary.~~

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~~Ministerial talks between Damascus and Baghdad since the initial summit meeting in late April have yielded few results. The downing of a Syrian MIG-21 over Iraqi airspace late last month probably will complicate Jordanian efforts to restart talks,~~

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The Lebanese Angle

Syria continues to try to control Hizballah and Iranian Revolutionary Guard activities in Lebanon through harassment and intimidation.

~~Damascus is not willing to risk a rupture with Tehran by employing direct force to obtain the release of Western hostages. The US Embassy says Assad appears to be shifting responsibility for resolving the kidnaping of US correspondent Charles Glass from Iran to the US.~~ [redacted]

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Although Damascus probably hopes to restrain Hizballah by continuing pressure, it may seek to use Tehran as an intermediary with Hizballah to channel the radicals' activities—probably against the Christian Lebanese Forces militia or Israel's security zone in the south—in a way that does not bring the goals of Syria and Hizballah into conflict. Syria will try to use its control over Iranian air supply links to Hizballah to influence the group's activity [redacted]

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~~Although an unplanned incident could provoke a showdown, Syria seems determined to keep tensions under control.~~ [redacted]

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Finding the Middle Ground

The Iranian-Saudi clashes in Mecca have complicated Assad's balancing act. Syria does not want to antagonize either Riyadh or Tehran and may offer to mediate their differences. [redacted]

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~~The Embassy believes~~ Assad is carefully monitoring Iranian-US tensions in the Gulf. If he feels Iran has the upper hand, he will strengthen his resolve to stand by Iran and to gain concessions from his neighbors seeking an opening to Tehran. Syria will also strive to preserve its Arab credentials, however, by appearing to seek reconciliation with Iraq and reiterating its pledge to oppose the permanent occupation of Arab territory by Iran. [redacted]

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Special Analysis**LIBYA-UGANDA:****Tripoli's Increasing Influence**

Libyan leader Qadhafi intends to exploit Ugandan President Museveni's need for assistance to strengthen Libyan intelligence and subversion against nearby African states. Qadhafi has long sought a secure base of operations from which to conduct acts of terrorism and subversion in the region, and Museveni's struggle against insurgencies in northern and eastern Uganda gives him that opportunity. Qadhafi probably hopes that by providing critically needed military and financial aid he will gain the leverage to persuade Museveni to let Libya stage subversive operations from Uganda.

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Museveni's Reaction

Libyan-Ugandan political cooperation is based on expediency. Tripoli's pretensions to regional power and Kampala's needs for military and financial support sustain the ties.

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Museveni believes a working relationship with Qadhafi will get Kampala much-needed material assistance that could help him remain in power. At the same time, Museveni has continually deflected pressure from Western leaders and neighboring states by playing down the significance of the ties.

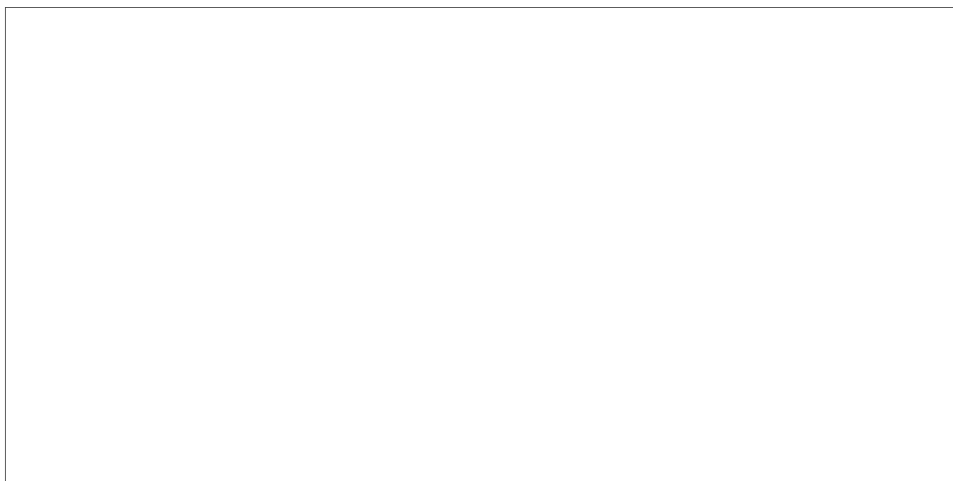
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Outlook

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Uganda is increasingly important to Libya's African policy. [redacted]

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[redacted] Subverting neighboring Zaire also is one of Qadhafi's high priorities. Qadhafi will also try to exploit growing Libyan-Ugandan military and economic ties to Libya to push Museveni into supporting Libyan goals. [redacted]

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Even if Museveni contains Libyan meddling in Uganda, Qadhafi will probably use Uganda for subversion elsewhere in Africa. The established Libyan presence in Uganda, for example, offers Qadhafi an opportunity to support insurgent groups throughout Sub-Saharan Africa. Although Qadhafi risks a political backlash, such as the Kenyan decision in April to expel five Libyan officials, he seems willing to take that chance. [redacted]

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Special Analysis**INTERNATIONAL: LDC Debt-For-Equity Swaps**

The growing number of LDC debt-for-equity swap programs and international banks' recent decisions to strengthen their reserves against possible LDC loan losses portend a temporary increase in the use of swaps, but such swaps probably will make only a modest contribution to alleviating the LDC debt problems.

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The debt-for-equity swap, which converts LDC foreign debt into investments in LDC companies, is the fastest growing financial mechanism for handling LDC debt. Swaps have collectively canceled about \$5 billion of LDC debt since 1982. Typically, an investor buys LDC debt at less than its face value from a foreign commercial bank that wants to get poorly performing loans off its books. The debt is redeemed at the LDC central bank for nearly its full face value in local currency and reinvested locally.

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Twelve LDC debtors now have such swap arrangements available to foreign investors, and several more LDCs are considering them. Although the swaps are attractive to both debtors and creditors—reducing LDCs' foreign debt and accelerating needed foreign investment—debtor country restrictions on foreign investment, a shortage of profitable investments in LDCs, and debtors' concerns that the swaps could fuel already troublesome inflation are limiting the potential of these schemes for managing the LDC debt problem.

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LDC governments are also faced with domestic criticism that they are capitulating to foreign interests by selling off the country's best investments at bargain prices. Brazil's Constituent Assembly, for example, is considering banning debt-for-equity swaps altogether, and other LDCs have imposed limits on swap activity. Mexico has put a \$1.7 billion cap on swaps this year, and Argentina plans to allow only \$300 million in swaps in the first year of its program, according to US Embassy reports.

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Although international banks' higher reserves against their LDC loans have set the stage for more swaps, the LDCs' own restrictions on swap activity suggest that debt for equity would only marginally reduce LDC commercial debt in the next year. As a result, the debtor countries will continue to experience problems in meeting their foreign payment obligations.

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